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FISCAL IMPACT STATEMENT

LS 6654

BILL NUMBER: HB 1471

NOTE PREPARED: Feb 20, 2007

BILL AMENDED: Feb 20, 2007

SUBJECT: Public Safety Officers' Survivor Insurance.

FIRST AUTHOR: Rep. Lawson L

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill provides that if an employer of a public safety officer provides health insurance for active employees, the employer shall provide and pay for health coverage for the survivors of a public safety officer who dies in the line of duty.

Effective Date: July 1, 2007.

Explanation of State Expenditures: (Revised) For the state, public safety employees include the State Police, excise police officers of the Alcohol and Tobacco Commission, correctional officers of the Department of Correction, conservation enforcement officers of the Department of Natural Resources, and police officers of the state educational institutions. For other political subdivisions, public safety employees include town marshals, deputy town marshals, and county police officers. The bill would apply to all surviving spouses and dependent children meeting the requirements of the bill regardless of whether the line-of-duty death occurred prior to or after the effective date of the bill.

The cost to the state would be the cost of the state employee health benefit plans. The cost to local units would be the cost of the health insurance coverage provided to the local unit's active employees.

The impact which appears for both the state and local units assumes all employers currently provide health insurance for active employees, and therefore the employer would provide and pay for health coverage for the survivors of a public safety officer who dies in the line of duty.

To the extent that this is not the case, the estimated costs which appear for both the state and local units would be reduced. In addition, the bill provides that when a surviving spouse becomes eligible for Medicare, the health coverage provided to the surviving spouse must be converted to an insurance policy that is offered

primarily to provide basic Medicare supplemental coverage. The Medicare Complementary Plan with prescription drugs is \$960.47 per month, while the Medicare Complementary Plan without prescription drugs is \$231.92 per month. The cost of the Medicare complementary plan with prescription drugs is higher than four of the five other health care plans for active employees. Any cost reductions would depend upon the number of Medicare eligibles.

Currently, there are 31 known families who may qualify for insurance coverage under the bill. It is not known if these survivors are survivors of state or local employees who died in the line of duty. It also isn't known how many of these survivor families would choose family plans versus single coverage. [NOTE: The estimated number of qualifying families is approximate and will be updated when additional information becomes available.]

Since the number of survivors of state employees is not known, the cost of the bill to the state is estimated to be between \$137,687 and \$358,396 annually, based on the cost of the state health plans and assuming that all 31 survivors were survivors of state employees. The current annual employer rate for a single policy is \$4,204.20, while the annual employer family rate is \$11,561.16. To the extent that only a portion of the 31 employees were state employees, the state costs will be less.

However, if all 31 survivors were survivors of employees of local units, the cost is estimated to be between \$194,044 and \$1,241,118 annually. [The annual employer cost for single coverage is \$5,133.60 per employee, while the annual employer cost for family coverage is \$40,038.88.] To the extent that only a portion of the 31 employees were local employees, the local costs will be less. In addition, since the health plan costs actually faced by the affected local units are not known, this estimate is based on the cost of participation in the local buy-in program to the state health plans. Actual costs will differ from this estimate depending on the actual costs faced by local units in providing health coverage to their active employees.

Background Information: At least nine survivors are identified as minor children. Children are eligible for the healthcare benefit until the age of 18, the age of 23 if enrolled in and attending secondary school, or for the duration of the child's physical or mental disability. However, the ages of the identified children are unknown. Therefore, the estimated cost may be lower depending upon the eligibility of these individuals.

The minimum cost range below would apply if 30 survivors select single coverage and one selects family coverage. The maximum cost range applies if all families select family coverage.

Cost Estimate for State Health Insurance -

- (1) Thirty survivors select state single coverage, and one selects family coverage - Estimated cost would be approximately \$137,687 annually.
- (2) All survivors select family coverage, identified children assumed part of a family plan - The estimated cost would be approximately \$358,396 annually.

Cost Estimate for Local Buy-in to State Health Insurance -

- (1) Thirty survivors select single coverage, and one selects family coverage - The estimated employer cost would be approximately \$194,044 annually.
- (2) All survivors select family coverage, identified children assumed part of a family plan - The estimated cost would be approximately \$1.241 M annually.

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures*.

Explanation of Local Revenues:

State Agencies Affected: State Police, Alcohol and Tobacco Commission, Department of Natural Resources, Department of Correction, State Universities.

Local Agencies Affected: Counties, cities, and towns.

Information Sources: Col. Tom Parker, Public Employees' Retirement Fund, 317-233-4146; Heath Insurance rates for CY 06.

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